

Message Text

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ACTION EUR-12

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FRB-03 H-01 INR-10 INT-05 L-03 LAB-04 NSAE-00
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E.O. 11652: N/A
TAGS: ETRD, OECD, EEWT
SUBJECT: EAST-WEST TRADE: JUNE 27-28 MEETING OF OECD
TRADE COMMITTEE WORKING PARTY (TCWP)

REF: PARIS PARIS 20614

1. SUMMARY. DELEGATIONS, ESPECIALLY U.S., FRENCH,
SWEDES, AND AUSTRIANS, CONGRATULATED SECRETARIAT
ON THE HIGH QUALITY AND COMPREHENSIVENESS OF ITS
REVISED COUNTERTRADE STUDY. TCWP DELEGATIONS ASKED
SECRETARIAT TO CONSIDER PREPARING CORRIGENDUM TO THE
REVISED STUDY THAT WOULD INCORPORATE THE POINTS BROUGHT
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OUT DURING DISCUSSION OF THE TOPIC, AND CONCLUDED THAT
FURTHER STUDY OF COUNTERTRADE WOULD NOT BE NECESSARY
FOR ANOTHER 12-18 MONTHS. DURING DISCUSSION OF THE
BALANCE OF ADVANTAGES IN EAST-WEST TRADE, US AND EC
DELEGATIONS REPORTED ON DEVELOPMENTS OF EAST EUROPEAN
RECIPROCITY IN THE MULTILATERAL TRADE NEGOTIATIONS
(SEE REFTEL). AFTER LENGTHY DISCUSSION OF U.S.

PROPOSAL FOR A STUDY OF FUTURE EAST EUROPEAN EXPORT POTENTIAL, AND MUCH MANEUVERING BY EC AND MEMBER DELEGATIONS TO SUPPORT AN OVERLAPPING PROPOSAL BY NETHERLANDS, SECRETARIAT WAS INSTRUCTED TO UNDERTAKE A PILOT STUDY THAT WOULD SERVE AS THE BASIS FOR DISCUSSION AT NEXT TCWP MEETING (DECEMBER 7-8, 1978).

2. COUNTERTRADE: SEVERAL DELEGATIONS MENTIONED THE PROBLEM OF COLLECTING DATA ON AND DEFINING COUNTERTRADE DEALS. ONE DELEGATION (FINLAND) STATED THAT IT DOES NOT CLASSIFY INDUSTRIAL COOPERATION AGREEMENTS AS COUNTER-TRADE DEALS. US DELEGATION INDICATED THAT IT CONSIDERS ALL COMMERCIAL TRANSACTIONS THAT ARE ACCOMPANIED BY A BUYBACK COMMITMENT AS COUNTERTRADE. ALL DELEGATIONS AGREED THAT MORE COMPLETE DATA WOULD REQUIRE BETTER REPORTING BY PRIVATE FIRMS (NO CONSENSUS WAS REACHED AS TO HOW TO ACHIEVE THIS). WHILE NOT HAVING COMPLETE INFORMATION ON COUNTERTRADE DEALS, FRENCH DELEGATION NOTED THAT IT REQUIRES ALL MAJOR PROJECTS, INVOLVING THE BUY-BACK OF RAW MATERIALS, TO BE REPORTED AS COUNTERTRADE.

3. UK AND FRG DELEGATIONS BELIEVED THAT DIFFERENCES EXIST BETWEEN USSR AND EASTERN EUROPE IN THEIR MOTIVES FOR COUNTERTRADE. UK DELEGATE STATED THAT EASTERN EUROPE IS CHIEFLY MOTIVATED BY BALANCE OF PAYMENTS DIFFICULTIES. IT WAS NOTED THAT DIFFERENCES EXIST LIMITED OFFICIAL USE

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WITHIN EASTERN EUROPE OVER THE ADVANTAGES OF COUNTER-TRADE, AND AT LEAST TWO DELEGATIONS (FRG AND DUTCH) WERE OF THE OPINION THAT HUNGARY WAS GENERALLY OPPOSED TO IT. ON THE OTHER HAND, FRG AND DUTCH DELEGATIONS THOUGHT USSR WAS ATTRACTED TO COUNTERTRADE (ESPECIALLY COMPENSATION DEALS) FOR IDEOLOGICAL REASONS. UK DELEGATE, HOWEVER, BELIEVED THAT USSR DOES NOT MAKE BUY-BACK A PRECONDITION FOR NEGOTIATING LARGE SCALE PROJECTS WITH WESTERN FIRMS.

4. IN DISCUSSING THE ADVANTAGES OF COUNTERTRADE TO THE WEST, THREE SEPARATE PERSPECTIVES WERE OFFERED. FINNISH DELEGATION THOUGHT THAT COUNTERTRADE SERVED AS A USEFUL INSTRUMENT FOR DEVELOPING EAST-WEST TRADE (ESPECIALLY ITS OWN BILATERAL TRADE WITH THE EAST).

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IN CONTRAST TO THIS, THE FRG DELEGATE (DITTMAR OF ECONOMICS MINISTRY -- NOT CLEAR IF HE REFLECTS VIEWS OF MFA) STATED THAT THE WEST RECEIVES NO BENEFITS FROM COUNTERTRADE. HE POINTED OUT, HOWEVER, THAT INSOFAR AS COUNTERTRADE IS PRACTICED IN INTERNATIONAL TRADE, THE GERMAN GOVERNMENT WOULD NOT DISADVANTAGE PRIVATE FIRMS BY PROHIBITING COUNTERTRADE. PHILOSOPHICALLY, THE FRG POSITION ON THIS ISSUE IS CLEAR: COUNTERTRADE REPRESENTS A REGRESSION TOWARDS BILATERALISM AND, THEREFORE, IS BAD. AN INTERMEDIATE POSITION WAS TAKEN BY THE UK DELEGATE (THIS VIEW ALSO SHARED BY FRANCE). CONCEDING THAT IN THEORY COUNTERTRADE IS UNDESIRABLE, UK BELIEVED THAT IT DID HAVE SOME PRACTICAL ADVANTAGES. UK CITED ADVANTAGE IN HAVING THE WEST RATHER THAN THE EAST RESPONSIBLE FOR MARKETING THE BUY-BACK PRODUCTS. THIS ARRANGEMENT D

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COULD PERHAPS PROTECT WESTERN MARKETS AGAINST DUMPING AND OTHER UNFAIR TRADE PRACTICES. FRENCH SAID TO THE EXTENT THAT COUNTERTRADE CONTRIBUTES TO THE GROWTH OF

EAST-WEST TRADE (ESPECIALLY IF THE ABSENCE OF COUNTER-TRADE PRODUCED A DECLINE IN TRADE), IT CONTRIBUTES TO INTEGRATION OF EAST IN WESTERN TRADING SYSTEM. FRENCH DEL DEL NOTED GOF HAD ESTABLISHED MECHANISM TO FACILITATE MATCHING FIRMS' DEMAND FOR AND SUPPLY OF COUNTERTRADE GOODS. SMALLER DELS ALL EXPRESSED VIEW THAT COUNTERTRADE PROBABLY PUT SMALL FIRMS AND SMALL COUNTRIES AT DISADVANTAGE IN E/W TRADE.

5. IN RESPONSE TO U.S. QUESTION ABOUT PRICING AND PROFITABILITY OF COUNTERTRADE, MOST DELEGATIONS (ESPECIALLY UK, SWEDEN, AND FINLAND) SAID THAT PRIVATE FIRMS RAISED THEIR EXPORT PRICES TO COUNTER EASTERN BUY-BACK DEMANDS. FINNISH DELEGATE, HOWEVER, POINTED OUT THAT THERE WERE LIMITS TO THE AMOUNT OF PRICE INCREASES, AND THEREFORE PROFITS, DUE TO INTENSE COMPETITION AND THE GENERAL WILLINGNESS OF WESTERN FIRMS (ESPECIALLY EUROPEAN) TO NEGOTIATE COUNTERTRADE DEALS.

6. FUTURE WORK: DISCUSSION ON SECRETARIAT'S PROPOSALS FOR CONTINUATION OF THE WORK PROGRAM ON EAST-WEST OPENED WITH AN EXAMINATION OF THE US PROPOSAL FOR A STUDY OF EAST EUROPEAN HARD CURRENCY EXPORT POTENTIAL. DELS GENERALLY AGREED THAT SUCH A STUDY WOULD BE USEFUL, BUT SOME CAUTIONED THAT THE SCOPE SHOULD BE LIMITED SO AS TO AVOID TAXING THE SECRETARIAT'S LIMITED RESOURCES. SWEDEN WAS PARTICULARLY CONCERNED THAT THE STUDY NOT DUPLICATE WORK BEING DONE IN THE ECE AND, SPECIFICALLY, THE USG. US DEL ASSURED WP THAT THERE WOULD BE LITTLE OVERLAP BETWEEN THE SECRETARIAT'S TSTUDY AND CURRENT USG LIMITED OFFICIAL USE

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STUDIES AS WELL AS THE MORE BROAD AND GENERAL WORK BEING CONDUCTED IN THE ECE. SEVERAL CRITICAL AND SKEPTICAL QUESTIONS RAISED BY FRG (DITTMAR) DID NOT WIN SUPPORT OF OTHER DELS.

7. DUTCH DEL PRESENTED ALTERNATIVE TO US PROPOSAL WHICH SUGGESTED AN EXAMINATION OF (1) THE IMPACT INTERNAL EE DEVELOPMENTS ON EAST-WEST TRADE; (2) EE DEBT LEVELS AND POTENTIAL HARD CURRENCY EARNINGS; AND (3) SIGNIFICANT E/W TRADE PROBLEM AREAS. ITALY THOUGHT SUCH A STUDY, ALONG WITH THE OTHERS PROPOSED IN THE FUTURE WORK PROGRAM, WOULD BE INTERESTING BUT BEYOND THE CAPABILITIES OF THE SECRETARIAT AND WP. EC AND UK SUGGESTED THAT A PILOT STUDY BE UNDERTAKEN TO EXAMINE EE EXPORT POTENTIAL IN A SPECIFIC SECTOR -- CHEMICALS, IN PARTICULAR. MOST DELS AGREED WITH THIS APPROACH. THE CHAIRMAN THEN REQUESTED DELS TO SUBMIT THEIR EXPORT SECTOR CHOICES

FOR A PILOT STUDY TO THE SECRETARIAT BY THE END OF JULY. THE SECRETARIAT WAS GIVEN THE DISCRETION TO CHOOSE A SPECIFIC SECTOR FOR ANALYSIS, AND DISCUSSION ON THE SECRETARIAT'S PILOT STUDY WAS SCHEDULED FOR THE NEXT MEETING.

8. OTHER ITEMS ON THE FUTURE WORK PROGRAM.

(A) DELS AGREED THAT REGULAR UPDATE OF SECRETAR-

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IAT'S TRADE TRENDS PAPER WOULD INCLUDE GREATER TREATMENT OF INTERNAL EASTERN DEVELOPMENTS, INTRA-CEMA TRADE, AND PROSPECTS FOR TRADE AND DEBTS UP TO 1985.

(B) FRG VIEWED A PROPOSED STUDY ON EE PRICING POLICIES AND EXPORT SUBSIDIES AS BEING OF LITTLE PRACTICAL VALUE; SWEDEN AND UK SAID EVEN AN ANNOTATED BIBLIOGRAPHY ON THE SUBJECT WOULD BE A WASTE OF TIME. SWEDEN DID NOT WISH OECD TO COMPETE WITH THEORETICAL ACADEMICS. UK SAID THAT IN MOST EES, PRICING WAS

"RESIDUAL" RESOLVED AFTER OTHER DECISIONS WERE TAKEN,
SO PRICES WERE NOT AMENABLE TO ANALYSIS.

(C) SWEDEN WAS PARTICULARLY INTERESTED IN THE PRO-
POSED INVENTORY OF MEMBERS' ANTI-DUMPING REGULATIONS.
EC THOUGHT SUCH A STUDY WOULD BE USELESS, STRONGLY
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IMPLYING THEY WOULD DECLINE TO CONTRIBUTE. EC FELT
THAT A STUDY OF EASTERN EXPORT SECTORS COULD INCLUDE
MENTION OF PROTECTIVE MEASURES TAKEN IN THE WEST.
SPAIN SUGGESTED THAT THE SECRETARIAT COMPILE A LIST
OF ALL MEMBERS' DUMPING CASES WITH EASTERN EUROPE.
EC NOTED THAT THE COMPILATION OF AN INVENTORY WOULD BE
DIFFICULT BECAUSE MANY POTENTIAL DUMPING CASES ARE
SETTLED BY VOLUNTARY ACTION BEFORE FORMAL DUMPING
CHARGES ARE LEVIED. FINLAND ADDED THAT MEMBERS MAY
NOT WANT TO DISCUSS THEIR DUMPING CASES IN A MULTI-
LATERAL FRAMEWORK. CHAIRMAN THEN SUGGESTED THAT DELS
FAVORING A STUDY SUBMIT THEIR EXPERIENCES WITH EE
DUMPING TO THE SECRETARIAT. THE SECRETARIAT WAS ASKED
TO PREPARE A NOTE ON THE TOPIC FOR THE NEXT MEETING.

9. NEXT MEETING: THE WORKING PARTY AGREED TO
RECONVENE ON DECEMBER 7-8.
SALZMAN

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